

**DOCKET NO. 2020-202-E**

Application of Duke Energy Carolinas,  
LLC for Authorization Under Article 13,  
Chapter 27 of Title 58 of the Code of Laws  
of South Carolina (1976, as Amended) to  
Issue and Sell Securities

**DIRECT TESTIMONY OF  
JORDAN MORGAN  
ON BEHALF OF  
DUKE ENERGY CAROLINAS, LLC**

**I. INTRODUCTION AND PURPOSE**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Jordan Morgan and my business address is 550 South Tryon, Charlotte, North Carolina.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am the Treasury Director for Duke Energy.

**Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES IN YOUR POSITION WITH DUKE ENERGY.**

A. As a Treasury Director, I am primarily responsible, along with other members of the Corporate Finance team, for the long-term financing and financial risk management for Duke Energy Corporation and each subsidiary registrant, including Duke Energy Carolinas. I have also been responsible for preparing each of Duke Energy's regulated utility's financing applications over the last several years.

**Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.**

A. I received a Bachelor of Science in Business Administration in 2008 from the University of North Carolina at Wilmington and a Masters of Business Administration from East Carolina University's College of Business in 2015. In 2012, I joined Duke Energy's Controllars' Department supporting the Company's Midwest utilities. In 2016, I moved into Global Risk Management and Insurance as a Senior Credit Risk Analyst. I joined Treasury's Corporate Finance team in 2017 and have held several positions with increasing responsibilities, including regulatory and rate case support initiatives.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**  
2 **COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

3 A. No.

4 **Q. ARE YOU INCLUDING ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?**

5 A. Yes. I am sponsoring Duke Energy Carolinas, LLC’s (“DEC” or the “Company”)  
6 Application and Exhibits which were filed with the Commission on August 21, 2020 and  
7 are attached as Morgan Exhibit 1. I am also sponsoring DEC’s Supplemental Exhibit to  
8 the Application filed with the Commission on October 26, 2020 and attached as Morgan  
9 Exhibit 2.

10 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR AT YOUR DIRECTION AND**  
11 **UNDER YOUR SUPERVISION?**

12 A. Yes, these exhibits were prepared by me or at my direction and under my supervision.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

14 A. The purpose of my testimony is to give an overview of the process the Company follows  
15 with its financing applications and the securities it issues under the authority granted by  
16 the Commission.

17 **II. BACKGROUND ON FINANCING APPLICATIONS**

18 **Q. WHEN DID THE COMMISSION MOST RECENTLY APPROVE A FINANCING**  
19 **AUTHORITY REQUEST FOR THE COMPANY?**

20 A. The Commission previously approved the Company’s request for authorization to issue  
21 and sell securities on August 1, 2018, by Order No. 2018-538 issued in Docket No. 2018-  
22 218-E. The amount authorized at that time was \$4,000,000,000.

1 **Q. WHAT HAPPENS AFTER THE COMMISSION APPROVES A FINANCING**  
2 **REQUEST?**

3 A. The Company will review the Commission's order to ensure compliance with its  
4 requirements as the Company issues securities. As the Company enters new long-term  
5 financing arrangements, the Company files a notice of issuance report with the  
6 Commission detailing the terms of the financing arrangement and the amount of remaining  
7 financing authority. Once the Company has depleted its financing authority to a level that  
8 may no longer provide constant access to the capital markets, the Company will file a new  
9 long-term financing application to replenish its authority.

10 **Q. PLEASE DESCRIBE THE SUPPLEMENTAL EXHIBIT TO THE COMPANY'S**  
11 **APPLICATION ATTACHED TO YOUR TESTIMONY AS MORGAN EXHIBIT 2.**

12 A. Subsequent to filing the Application, the Company became aware that the requirements of  
13 S.C. Code Ann. Regs. 103-823.1 regarding information to be included in financing  
14 applications was omitted in the original filing. As a result, the Company made a  
15 supplemental filing on October 26, 2020. I will next explain the Company's position on  
16 the information required by S.C. Code Ann. Regs. 103.823.1

17 **Q. HAS THE COMPANY PROVIDED THE COMMISSION WITH THE**  
18 **TRANSACTIONS IT UNDERTOOK PURSUANT TO ORDER NO. 2018-538?**

19 A. Yes. The Company has entered into twelve separate financing arrangements pursuant to  
20 its current financing order. The financing arrangements entered under the current order  
21 consisted primarily of first mortgage bonds issued in the debt capital markets and finance  
22 lease obligations. The balance remaining under the current authority is \$375,180,962.

1 **Q. WHAT AUTHORITY IS THE COMPANY REQUESTING IN THE CURRENT**  
2 **FINANCING APPLICATION?**

3 A. As described in more detail in its Application, the Company is requesting authority to issue  
4 and sell a maximum of \$4,000,000,000 of the following securities: (a) long-term debt  
5 securities; (b) long-term bank borrowings; (c) tax exempt bond obligations; and (d) finance  
6 lease obligations. The Company is also requesting authority to enter into interest rate  
7 management agreements. The Commission previously provided its approval for these  
8 types of authorization in Order No. 2012-287, Docket No. 2007-338-E (Apr. 17, 2012);  
9 Order No. 2016-167, Docket No. 2016-63-E (Mar. 8, 2016); and Order No. 2018-538,  
10 Docket No. 2018-218-E (Aug. 1, 2018).

11 **Q. IDENTIFY THE EFFECT OF THE PROPOSED FINANCING ON THE**  
12 **COMPANY'S INCOME STATEMENT AND BALANCE SHEET AND IDENTIFY**  
13 **THE IMPACT OF THE PROPOSED FINANCING ON THE COMPANY'S**  
14 **CAPITAL STRUCTURE.**

15 A. Generally, the proposed financings will affect the Company's income statement by  
16 increasing pre-tax interest expense to reflect interest payable on new securities, offset by  
17 the reduction in pre-tax interest expense associated with any redeemed or maturing debt.  
18 The Company manages its capital structure within a reasonable range of its regulatory  
19 approved capital structure. The financing order provides Duke Energy Carolinas with the  
20 means to use long-term debt financing. The amount of authority requested is not an  
21 indication of how the Company intends to manage its capital structure.  
22

1   **Q.    IDENTIFY SPECIFICALLY HOW THE FUNDS OBTAINED THROUGH THE**  
2   **PROPOSED FINANCING ARE TO BE USED BY THE COMPANY.**

3   A.    The proceeds resulting from the proposed financing will be used as set forth in Section 8  
4       of the Application. Specifically, proceeds from issuance of the proposed securities may  
5       be used for (a) the purchase or redemption of the Company's outstanding higher cost  
6       securities as hereinafter provided, (b) refunding maturing securities, (c) financing the  
7       Company's ongoing construction, as further described in Section 9 of the Application  
8       (including the acquisition of nuclear fuel) or (d) the Company's general purposes, as  
9       allowed. In each case, such proceeds may be used for the repayment of short-term debt  
10      incurred for such purposes.

11           When the net proceeds from the issuance of any of the proposed securities will be  
12      applied and used by the Company to purchase or redeem certain of the Company's  
13      outstanding unmatured debt securities, such issuances will be made from time to time when  
14      market conditions permit, on terms which would result in a lower cost of money to the  
15      Company. Any premium paid on purchased or redeemed debt securities will be amortized  
16      over the life of the new securities, and the Company proposes to include the after-tax  
17      amount of such unamortized premium in Company's rate base as a component of working  
18      capital. The net proceeds of any of the proposed securities may be applied and used by the  
19      Company to refund maturing securities, including the repayment of short-term debt  
20      incurred for that purpose.

1 **Q. PROVIDE INFORMATION ON THE POSSIBLE IMPACT ON THE COMPANY**  
2 **IF THE PROPOSED FINANCING IS NOT APPROVED OR IF APPROVAL IS**  
3 **DELAYED.**

4 A. Disapproval of the Application would be detrimental to the Company's liquidity profile  
5 and eliminate its access to low-cost financing via the debt capital markets. It would also  
6 impair DEC's ability to ensure reliable and cost-effective service, and to fulfill its  
7 obligations to serve its customers. The Company must be able to operate and maintain its  
8 business without interruption and refinance maturing debt on time. This is the nature of  
9 regulated, capital-intensive industries like electric and gas utilities that must continuously  
10 plan and execute major capital projects

11 If approval of the Application is delayed, it may limit the Company's financial  
12 flexibility in determining the optimal timing and amounts of its offerings of securities. Such  
13 flexibility enhances the Company's ability to fund its operations efficiently and take  
14 advantage of favorable market conditions when possible to provide low-cost financing to  
15 the benefit of customers.

16 **Q. SPECIFY THE EXPECTED EFFECTIVE RATE OF INTEREST OF ANY DEBT**  
17 **FINANCING (A RANGE FOR THE RATE IS APPROPRIATE). FOR COMMON**  
18 **STOCK ISSUES, PROVIDE INFORMATION ON THE ANTICIPATED MARKET**  
19 **PRICE AND BOOK VALUE PER SHARE AT THE TIME OF ISSUE.**

20 A. Indicative pricing for annual interest rates on the Company's first and refunding mortgage  
21 bonds is 0.75-1.00% for a 5-year bonds, 1.50-1.75% for 10-year bonds and 2.75-3.00% for  
22 30-year bonds. This indicative pricing reflects market conditions as of October 21, 2020,  
23 and actual costs will change due to changes in market conditions, U.S. Treasury bond

1 yields, the Company's credit rating and/or other factors that might impact the rate investors  
2 demand for securities with similar characteristics and from companies with similar credit  
3 ratings. An interest rate for each long-term debt issuance will be set immediately prior to  
4 execution of a binding underwriting agreement for such securities. The Company's  
5 Application does not contain a request relating to common stock.

6 **Q. PROVIDE INFORMATION ON THE EXPECTED BENEFITS AND COSTS OF**  
7 **THE PROPOSED FINANCING. PROVIDE ANY STUDIES THAT WERE**  
8 **DEVELOPED TO IDENTIFY THESE COSTS AND BENEFITS AND THE NET**  
9 **RESULT. IDENTIFY THE BASIC ASSUMPTIONS OF ANY ANALYSES OF**  
10 **COSTS AND BENEFITS.**

11 A. The expected benefits of the proposed financings include satisfying the Company's funding  
12 requirements as set forth in Section 9 of the Application. The proposed financings would  
13 allow the Company to continue to finance its ongoing capital expenditures, and to  
14 potentially redeem or purchase outstanding securities and lower its cost of capital or reduce  
15 risk through economical refinancing. Costs of issuing the securities are expected to be  
16 generally consistent with those reported to the Commission in previous dockets authorizing  
17 the issuance of securities. The Company has not developed any studies of the type  
18 described in this question.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, it does.



**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**

**DOCKET NO. 2020- -E**

# Application of Duke Energy Carolinas, LLC, for Authorization Under Article 13, Chapter 27 of Title 58 of the Code of Laws of South Carolina (1976, As Amended) to Issue and Sell Securities

# APPLICATION FOR APPROVAL TO ISSUE AND SELL SECURITIES

Pursuant to S.C. Code Ann. § 58-27-1720 and S.C. Code Ann. Regs. 103-823, Duke Energy Carolinas, LLC (the “Company”) hereby makes the following application for authorization from the Public Service Commission of South Carolina (“Commission”) to issue and sell a maximum of \$4,000,000,000 aggregate principal amount of securities of the types listed herein, in the manner hereinafter described. In support of this Application, the Company shows the Commission the following:

## 1. Description of the Company

The Company is a limited liability company duly organized and existing under the laws of the State of North Carolina, domesticated under the laws of the State of South Carolina to conduct business within this state. It is engaged in the business of generating, transmitting, distributing and selling electric power and energy, and is a public utility subject to the jurisdiction of this Commission and the North Carolina Utilities Commission. It is a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is a wholly owned subsidiary of Duke Energy Corporation, which is a holding company headquartered in Charlotte, North Carolina. Duke

Energy Corporation wholly owns six other regulated, public utility subsidiaries, Duke Energy Progress, LLC; Duke Energy Florida, LLC; Duke Energy Indiana, LLC; Duke Energy Ohio, Inc.; Duke Energy Kentucky, Inc.; and Piedmont Natural Gas Company, Inc. In addition, Duke Energy owns various nonregulated energy businesses primarily located in the United States.

## **2. Notices and Communications**

The names and addresses of the Company's attorneys who are authorized to receive notices and communications with respect to this application are:

Heather S. Smith  
Deputy General Counsel  
Duke Energy Carolinas, LLC  
40 West Broad Street, Suite 690  
Greenville, SC 29601  
864.370.5045  
heather.smith@duke-energy.com

and

Rebecca J. Dulin  
Associate General Counsel  
Duke Energy Carolinas, LLC  
1201 Main Street  
Capital Center Building, Suite 1180  
Columbia, SC 29201  
803.988.7130  
rebecca.dulin@duke-energy.com

## **3. Outstanding Debt Obligations**

The Company's existing outstanding long-term debt principally consists of First and Refunding Mortgage Bonds, Senior Debt, Tax Exempt Bond Obligations and Other Long-Term Debt. A schedule of all such Bonds, Senior Debt, Tax Exempt Bond Obligations and Other Long-Term Debt outstanding as of March 31, 2020 is attached hereto as Exhibit A. All of the outstanding First and Refunding Mortgage Bonds were issued under the terms of a First and Refunding Mortgage dated as of December 1, 1927, from the Company to The Bank of New York Mellon

Trust Company, N.A., as trustee, as supplemented and amended by various Supplemental Indentures (hereafter sometimes referred to as the “Mortgage”), copies all of which have been filed with this Commission. Substantially all of the Senior Debt consists of Senior Notes issued under a Senior Indenture to The Bank of New York Mellon, dated as of September 1, 1998 (the “Senior Indenture”).

The Tax Exempt Bond Obligations resulted when the Company borrowed the proceeds of the sale of tax exempt pollution control or solid waste disposal revenue bonds issued by various governmental authorities pursuant to authorization granted by this Commission.

The Other Long-Term Debt includes a financing arrangement utilizing commercial paper backed by the long-term credit facility described in Section 4(ii) below and certain borrowings under the Money Pool Agreement between Duke Energy Carolinas and certain affiliates of Duke Energy Corporation.

#### **4. Description of Proposed Securities**

Subject to the approval of this Commission and the North Carolina Utilities Commission, the Company proposes to issue, sell, incur or undertake from time-to-time a maximum of \$4,000,000,000 aggregate principal amount of all or any combination of Proposed Debt Securities, Long-Term Bank Borrowings, Tax Exempt Bond Obligations, and Lease Financing Obligations. The Company also proposes to enter into Interest Rate Management Agreements. All of such financial transactions are further defined or described below (and are collectively referred to as, the “Proposed Securities”):

##### **(i) Long-Term Debt Securities (“Proposed Debt Securities”)**

The Proposed Debt Securities may be unsecured debt instruments or First and Refunding Mortgage Bonds.

To the extent the Proposed Debt Securities are Senior Notes, they will be created and issued under the Senior Indenture as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are Subordinated Notes, they will be created and issued under the Company's Subordinated Indenture to the Bank of New York Mellon, as Trustee, dated as of December 1, 1997, as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are the Company's First and Refunding Mortgage Bonds, they will be created and issued under the Mortgage, as heretofore supplemented and as to be further supplemented and amended by a Supplemental Indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said Mortgage will constitute (together with the Company's outstanding First and Refunding Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

When any of the Proposed Debt Securities are issued for refunding or refinancings, the Company proposes to execute the proposed transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

The Proposed Debt Securities may also consist of debt securities subject to remarketing prior to maturity. Consistent with prior orders of the Commission, any remarketing of such securities or resetting of their interest rates prior to the scheduled maturity date would not be deemed to be a re-issuance of such securities by the Company,

so as to reduce the amount of securities otherwise permitted to be issued by the Company pursuant to the terms of the Commission's order in this docket.

(ii) Long-Term Bank Borrowing.

The Company further seeks permission to make long-term borrowings under its Master Credit Facility ("Long-Term Bank Borrowings"). As of July 31, 2020, the Company currently has a \$1.5 billion borrowing sublimit under Duke Energy's approximately \$8.0 billion master credit facility with a group of banks. The Company may increase its borrowing sublimit under the Master Credit Facility to a maximum of \$1.75 billion, as may be necessary to improve its liquidity and financial flexibility. Borrowings under the facility are available for general corporate purposes. The current five-year Master Credit Facility will expire on March 16, 2025. Under the agreement, any borrowing of more than one year in duration by the Company (or any other borrower other than Duke Energy Corporation) must be specified as a long-term borrowing in the notice of borrowing to the lenders. The Company therefore requests the Commission's approval for borrowings in excess of one year in duration, under the Master Credit Facility or such other similar bank borrowing arrangements the Company may enter into from time to time.

(iii) Tax Exempt Bond Obligations

The Company proposes to enter into agreements to borrow proceeds from the sale of tax exempt debt securities issued by one or more governmental authorities ("Tax Exempt Bonds"), to fund construction of qualifying facilities associated with the Company's electric generation plants (and qualifying related expenditures), to reimburse costs previously expended for such purposes, or to refund previously outstanding Tax Exempt Bonds. The Company's obligation to repay the issuing authority may be direct, through a

secured or unsecured loan agreement between it and the authority, or indirect through financing arrangements such as a letter of credit posted by a bank to secure the Company's obligations on the Tax Exempt Bonds. The Company's direct obligation under a loan agreement with the authority may be insured by a third party or secured by issuance of a First and Refunding Mortgage Bond or other secured instrument.

(iv) Finance Lease Obligations

The Company proposes to enter into finance lease obligations ("Leases"), under which it will utilize lease financing structures as another form of financing the capital requirements discussed in Section 9 of this Application. The Leases will have structures and terms similar to other forms of debt financing, but with the potential, in certain instances, to lower the overall cost of financing property acquisitions.

Leases may be used to finance the construction or acquisition of new property, including in connection with construction of new electric plant, or refinancing of existing utility property, in order to optimize the cost of financing commensurate with such property's expected life. The property expected to be leased will consist of (a) electric generating facilities and equipment used in the Company's operations including, but not limited to, meters, landfill and coal yard heavy equipment, transportation equipment, turbines, transformers, water pumps, exhaust stacks, substations, computers and office equipment, and intangible property such as software and site licenses; and (b) real property, office buildings and other such property used in the Company's operations (collectively, the "Property").

The amount financed under each Lease, excluding transaction costs, is not expected to be more than the net capitalized cost of the Property or the appraised value of the Property (in the event more than the capitalized cost is financed).

In accordance with generally accepted accounting principles, the net capitalized cost of property usually includes installation, training, allowance for funds, administrative overhead and other costs capitalized in connection with acquiring and placing the property in service. Such costs are expected to be included in the Property cost financed under each Lease.

To effectuate Lease transactions, the Company may obtain third-party lease financing for the original purchase or refinancing of Property acquisitions, and an agreement may be executed with a financing counterparty (the “Lessor”) setting forth the terms of each Lease.

As part of the consummation of a Lease transaction, the Lessor may typically either (1) pay the vendor and the Company for their respective costs associated with the Property acquisition or (2) reimburse the Company for the capitalized cost of the Property, with the Company concurrently paying the vendor the invoice cost.

The Company may enter into one or more participation agreements with its affiliates and the Lessor in connection with the Leases, with such agreements defining the Company’s role as principal and, as applicable, agent on behalf of its affiliates for billing and payment remittance purposes. Such arrangements may be undertaken solely for administrative efficiencies and the convenience of the parties involved and will be subject to applicable standards relating to transactions among affiliates.

At the end of each initial or renewal lease term, it is anticipated that the Company will have an option to either (a) renew each Lease pursuant to arm's-length negotiation with the Lessor or other potential lessors, (b) purchase the Property, or (c) terminate the Lease.

(v) Interest Rate Management Agreements

As described in its Application for Amended Order dated July 15, 2009, in Docket No. 2007-338-E (the "Amendment Application"), the Company utilizes various techniques to manage the interest costs it incurs in connection with its financial obligations. Although it is unclear whether or not such activities constitute the issuance of securities within the meaning of S.C. Code Ann. § 58-27-1720, the Company nevertheless respectfully requests that the Commission grant it authority to utilize interest rate management techniques and enter into Interest Rate Management Agreements to manage its interest costs. As discussed in the Amendment Application, having explicit Commission authority for such agreements will allow the Company to be able to defer the mark-to-market impact of Interest Rate Management Agreements under Statement of Financial Accounting Standards 71. Such authority will allow the Company sufficient alternatives and flexibility in effectively managing interest rate risk.

Interest Rate Management Agreements will include products commonly used in today's capital markets. These products include, but are not limited to, interest rate swaps, caps, collars, floors, options, or other hedging products such as forwards or futures. The Company expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated notional



amount and may be entered into in connection with underlying fixed or variable obligations of the Company.

The Company will establish pricing for Interest Rate Management Agreements through negotiated offerings, through a competitive bidding process, or otherwise in accordance with recognized market practices.

The notional amount of any given Interest Rate Management Agreement will correspond to all or a portion of a current or future debt security authorized by statute or Commission order. Therefore, entry into a given Interest Rate Management Agreement itself will not reduce the amount of “shelf” authority under a Commission order governing such a debt security.

#### **5. Method of Issuance and Sale**

To the extent the Proposed Securities are issued and sold in one or more public offerings subject to registration under the federal securities laws, the Company will sell the Proposed Securities during the effective period of a “shelf” registration statement which the Company has filed with the Securities and Exchange Commission in connection with the registration of such securities. The Company proposes to enter into negotiations with, or request competitive proposals from, investment banks or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. The Company will determine which sales method and financial institution(s) will provide the most favorable terms to the Company for any issuance and sale of the Proposed Securities. Certain types of the Proposed Securities, such as bank borrowings, leases and interest rate management agreements, are not typically “sold” in a

public or private offering. The method of issuance of such securities, or incurrence of obligations, will be as described in the corresponding part of Section 4.

#### **6. Previously Granted Authority**

The authority requested herein is to replenish the authority previously granted by the Commission in Order No. 2018-538<sup>1</sup>, of which \$3,624,819,038 has been utilized. The Company requests that the remaining authority granted in Order No. 2018-538 be terminated and subsumed within the authority that the Company requests to be granted in this Application.

#### **7. Fees and Costs**

The Company will pay no fee for services (other than attorneys, accountants, trustees, rating agencies and fees for similar technical services) in connection with the negotiation and consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with such persons).

#### **8. Use of Proceeds**

Proceeds from issuance of the Proposed Securities may be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing construction, as further described in Section 9 hereof (including the acquisition of nuclear fuel) or (d) the Company's general purposes, as allowed. In each case, such proceeds may be used for the repayment of short-term debt incurred for such purposes.

When the net proceeds from the issuance of any of the Proposed Securities will be applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured

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<sup>1</sup> *Order Granting Authority to Issue and Sell Securities*, issued Aug. 1, 2018 (Docket No. 2018-218-E).

debt securities, such issuances will be made from time to time when market conditions permit, on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed debt securities will be amortized over the life of the new securities, and the Company proposes to include the after-tax amount of such unamortized premium in Company's rate base as a component of working capital. As previously noted, the net proceeds of any of the Proposed Securities may be applied and used by the Company to refund maturing securities, including the repayment of short-term debt incurred for that purpose. A schedule of the maturities of the Company's outstanding debt securities is provided in Exhibit A.

#### **9. Electric Plant and Demand Growth**

The Company is continuing its construction program of additions to its electric generation, transmission and distribution facilities in order to, among other things, (i) meet the long-term expected increase in demand for electric service, (ii) construct and maintain an adequate margin of reserve generating capacity, and (iii) conduct necessary replacements of major generating plants and plant components, and is funding coal ash basis closure costs.

The Company connected approximately 54,370 new customers in 2019 and continues to incur significant capital expenditures related to expanding and replacing its transmission and distribution system.

The Company's electric energy sales were approximately 89.9 million and 92.3 million megawatt hours for 2019 and 2018, respectively. Sufficient financing of its current construction program is essential if the Company is to continue to be able to meet its obligations to the public to provide adequate and reliable electric service. The Company's electric plant construction expenditures (including expenditures for the acquisition of nuclear fuel) were \$2.7 billion and \$2.7

billion for each of 2019 and 2018, respectively. Further information is set forth in the Company's financial statements attached as exhibits to this Application.

The Company's plans include incurring significant capital expenditures for maintenance of its existing generation plants, construction of new electric generation plants, modernization of the electric grid, and coal ash basin closure costs. During the period 2020 through 2024, the Company plans to invest approximately \$16.2 billion in its electric plant, including grid modernization and coal ash basin closure costs. Adequate financing authority as applied for herein will allow the Company to access the capital markets to efficiently fund these necessary capital expenditures.

#### **10. Purposes and Compatibility with Public Interest**

The purposes of the issuance, sale, and/or incurrence of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations, and as set forth in its Limited Liability Company Operating Agreement, as amended, which is on file with this Commission. For the reasons set forth above, the issuance and sale of the Proposed Securities will be compatible with the public interest, will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

#### **11. Financial Condition and Operating Reports**

The financial condition of the Company and its results of operations are shown by the Company's Annual Reports to the Commission and by other records of the Commission relating to the Company.

## 12. Exhibits

Exhibits submitted, or incorporated by reference, in support of the Application include:

EXHIBIT A	Schedule of Outstanding First and Refunding Mortgage Bonds, Notes and Other Obligations of the Company as of March 31, 2020.
EXHIBIT B-1	Copy of Senior Indenture of the Company to the Bank of New York Mellon, as Trustee, dated as of September 1, 1998. This exhibit is on file with the Commission in Docket No. 98-469-E.
EXHIBIT B-2	Copy of Subordinated Indenture of the Company to the Bank of New York Mellon, as Trustee, dated December 1, 1997. This exhibit is on file with the Commission in Docket No. 97-475-E.
EXHIBIT C	Copy of the Company's Limited Liability Company Operating Agreement dated as of April 3, 2006, as amended. This exhibit is on file with the Commission in Docket No. 2007-338-E.
EXHIBIT D	Annual Reports of the Company to the Commission and other records of the Commission relating to the Company. Reference is made to these reports and records on file with the Commission.
EXHIBIT E	Unconsolidated Balance Sheet of the Company at March 31, 2020, including pro forma effects of proposed issuance and sale.
EXHIBIT F-1	Unconsolidated Statement of Income of the Company for the three months ended March 31, 2020.
EXHIBIT F-2	Unconsolidated Statement of Income of the Company for the twelve months ended December 31, 2019.
EXHIBIT G	Unconsolidated Statement of Cash Flows for the three months ended March 31, 2020; and Statement of Retained Earnings of the Company for the three months ended March 31, 2020.
EXHIBIT H	Unconsolidated Statement of Capitalization of the Company at March 31, 2020, including pro forma effects of proposed issuance and sale.

WHEREFORE, the Company respectfully requests that the issuance and sale of the Proposed Securities in the manner set forth herein be authorized and approved by the Commission.

This the 21<sup>st</sup> day of August 2020.

Heather S. Smith  
Deputy General Counsel  
Duke Energy Carolinas, LLC  
40 West Broad Street, Suite 690  
Greenville, SC 29601  
864.370.5045  
heather.smith@duke-energy.com

and



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Rebecca J. Dulin  
Associate General Counsel  
Duke Energy Carolinas, LLC  
1201 Main Street  
Capital Center Building, Suite 1180  
Columbia, SC 29201  
803.988.7130  
[rebecca.dulin@duke-energy.com](mailto:rebecca.dulin@duke-energy.com)

**ATTORNEYS FOR DUKE ENERGY CAROLINAS, LLC**

**CERTIFICATION  
PURSUANT TO  
S. C. Code Ann. § 58-27-1720**

I, John L. Sullivan, III, state and attest, under penalty of perjury, that the attached Application for Approval to Issue and Sell Securities is filed on behalf of Duke Energy Carolinas, LLC in compliance with S.C. Code Ann. § 58-27-1720; that I have reviewed said application, and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information and representations provided therein; and that, to the best of my knowledge, information, and belief, all information contained therein is accurate and true and contains no false, fictitious, fraudulent or misleading statements; that no material information or fact has been knowingly omitted or misstated therein, and that all information contained therein has been prepared and presented in accordance with all applicable South Carolina general statutes, Commission rules and regulations, and applicable Commission Orders. Any violation of this Certification may result in the Commission initiating a formal review proceeding. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment by contempt.



---

John L. Sullivan, III  
Assistant Treasurer

**CERTIFICATION  
PURSUANT TO  
S. C. Code Ann. § 58-27-1720**

I, Robert T. Lucas, III, state and attest, under penalty of perjury, that the attached Application for Approval to Issue and Sell Securities is filed on behalf of Duke Energy Carolinas, LLC in compliance with S.C. Code Ann. § 58-27-1720; that I have reviewed said application, and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information and representations provided therein; and that, to the best of my knowledge, information, and belief, all information contained therein is accurate and true and contains no false, fictitious, fraudulent or misleading statements; that no material information or fact has been knowingly omitted or misstated therein, and that all information contained therein has been prepared and presented in accordance with all applicable South Carolina general statutes, Commission rules and regulations, and applicable Commission Orders. Any violation of this Certification may result in the Commission initiating a formal review proceeding. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment by contempt.



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Robert T. Lucas III  
Assistant Secretary



**DUKE ENERGY CAROLINAS**  
**UNCONSOLIDATED SCHEDULE OF OUTSTANDING FIRST AND REFUNDING MORTGAGE BONDS, NOTES AND OTHER OBLIGATIONS**  
**March 31, 2020**  
**(Dollars in Thousands)**

Description of Securities	Date of Issuance	Date of Maturity	Amount Outstanding	Authority for Issue	
				North Carolina	South Carolina
First and Refunding Mortgage Bonds					
8.950%	7/1/1991	7/1/2027	\$ 8,317,678	Docket No. B-209, Sub 31	Docket No. 91-284-E
6.000%	1/10/2008	1/15/2038	500,000,000	Docket No. E-7, Sub 836	Docket No. 2007-338-E
6.050%	4/14/2008	4/15/2038	600,000,000	Docket No. E-7, Sub 836	Docket No. 2007-338-E
5.300%	11/19/2009	2/15/2040	750,000,000	Docket No. E-7, Sub 862	Docket No. 2007-338-E
4.300%	6/2/2010	6/15/2020	450,000,000	Docket No. E-7, Sub 937	Docket No. 2007-338-E
3.900%	5/19/2011	6/15/2021	500,000,000	Docket No. E-7, Sub 937	Docket No. 2007-338-E
4.250%	12/8/2011	12/15/2041	650,000,000	Docket No. E-7, Sub 937	Docket No. 2007-338-E
4.000%	9/21/2012	9/30/2042	650,000,000	Docket No. E-7, Sub 1006	Docket No. 2007-338-E
3.750%	3/12/2015	6/1/2045	500,000,000	Docket No. E-7, Sub 1006	Docket No. 2007-338-E
2.500%	3/11/2016	3/15/2023	500,000,000	Docket No. E-7, Sub 1107	Docket No. 2016-63-E
3.875%	3/11/2016	3/15/2046	500,000,000	Docket No. E-7, Sub 1107	Docket No. 2016-63-E
2.950%	11/17/2016	12/1/2026	600,000,000	Docket No. E-7, Sub 1107	Docket No. 2016-63-E
3.700%	11/14/2017	12/1/2047	550,000,000	Docket No. E-7, Sub 1107	Docket No. 2016-63-E
3.950%	3/1/2018	3/15/2048	500,000,000	Docket No. E-7, Sub 1107	Docket No. 2016-63-E
3.050%	3/1/2018	3/15/2023	500,000,000	Docket No. E-7, Sub 1107	Docket No. 2016-63-E
3.350%	11/8/2018	5/15/2022	350,000,000	Docket No. E-7, Sub 1176	Docket No. 2018-218-E
3.950%	11/8/2018	11/15/2028	650,000,000	Docket No. E-7, Sub 1176	Docket No. 2018-218-E
3.200%	8/14/2019	8/15/2049	350,000,000	Docket No. E-7, Sub 1176	Docket No. 2018-218-E
2.450%	8/14/2019	8/15/2029	450,000,000	Docket No. E-7, Sub 1176	Docket No. 2018-218-E
2.450%	1/8/2020	2/1/2030	500,000,000	Docket No. E-7, Sub 1176	Docket No. 2018-218-E
3.200%	1/8/2020	8/15/2049	400,000,000	Docket No. E-7, Sub 1176	Docket No. 2018-218-E
Subtotal			10,458,317,678		
Tax Exempt Bond Obligations					
Series 2006A NCCFFA	10/18/2006	10/1/2031	71,605,000	Docket No. E-7, Sub 727	Docket No. 2003-184-E
Series 2006B NCCFFA	10/18/2006	10/1/2031	71,595,000	Docket No. E-7, Sub 727	Docket No. 2003-184-E
Series 2008A NCCFFA	4/18/2008	11/1/2040	50,000,000	Docket No. E-7, Sub 836	Docket No. 2007-338-E
Series 2008B NCCFFA	4/18/2008	11/1/2040	50,000,000	Docket No. E-7, Sub 836	Docket No. 2007-338-E
Subtotal			243,200,000		
Senior Debt					
6.000%	12/4/1998	12/1/2028	300,000,000	Docket No. E-7, Sub 631	Docket No. 98-469-E
6.450%	10/8/2002	10/15/2032	350,000,000	Docket No. E-7, Sub 707	Docket No. 2002-88-E
6.100%	6/5/2007	6/1/2037	500,000,000	Docket No. E-7, Sub 727	Docket No. 2003-184-E
Subtotal			1,150,000,000		
Long-Term Commercial Paper			300,000,000		
Bond lease-Backed CTL - Charlotte Metro			90,781,368		
Unamortized Debt Discount and Premium, Net			(21,331,310)		
Other Long Term Debt			4,487,750		
Total Unconsolidated Long-Term Debt			12,225,455,486		
Obligations under Finance Lease Obligations			173,928,523		
Total Unconsolidated Long-Term Debt and Capital Leases			\$ 12,399,384,009		

**Note**

Detail amounts may not add to totals shown due to rounding.

**DUKE ENERGY CAROLINAS**  
**UNCONSOLIDATED BALANCE SHEET**  
**March 31, 2020**

Title of Account (a)	Proforma			
	Actual	Adjustments		Proforma
<b>UTILITY PLANT</b>				
Utility Plant (101-106,114)	\$ 46,226,626,527			\$ 46,226,626,527
Construction Work in Progress (107)	1,308,891,851	1,683,753,898	(A)	2,992,645,749
Total Utility Plant	47,535,518,378	1,683,753,898		49,219,272,276
(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	17,149,466,387			17,149,466,387
Net Utility and Plant	30,386,051,991	1,683,753,898		32,069,805,889
Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab (120.1)	307,963,196			307,963,196
Nuclear Materials and Assemblies - Stock Account (120.2)	155,500,490			155,500,490
Nuclear Fuel Assemblies in Reactor (120.3)	1,108,922,936			1,108,922,936
Spent Nuclear Fuel (120.4)	434,419,218			434,419,218
(Less) Accum. Provision for Amort. of Nuclear Fuel Assemblies (120.5)	1,153,271,066			1,153,271,066
Net Nuclear Fuel	853,534,774	-		853,534,774
<b>Total Net Utility Plant</b>	<b>31,239,586,765</b>	<b>1,683,753,898</b>		<b>32,923,340,663</b>
<b>Utility Plant Adjustments (116)</b>	<b>1,012,652</b>			<b>1,012,652</b>
<b>OTHER PROPERTY &amp; INVESTMENTS</b>				-
Non Utility Property (121)	134,036,102			134,036,102
(Less) Accum. Prov. for Depr. and Amort. (122)	44,902,135			44,902,135
Investment in Subsidiary Companies (123.1)	13,114,070			13,114,070
Other Investments (124)	94,370			94,370
Other Special Funds (128)	4,064,622,691			4,064,622,691
Long-Term Portion of Derivative Assets - Hedges (176)	203,609			203,609
<b>Total Other Property and Investments</b>	<b>4,167,168,707</b>			<b>4,166,965,098</b>
<b>CURRENT AND ACCRUED ASSETS</b>				-
Cash (131)	15,657,893			15,657,893
Working Funds (135)	300,000			300,000
Temporary Cash Investments (136)	-			-
Notes Receivable (141)	-			-
Customer Accounts Receivable (142)	391,667,512			391,667,512
Other Accounts Receivable (143)	139,377,207			139,377,207
(Less) Accum. Prov. for Uncollectible Account - Credit (144)	9,793,473			9,793,473
Note Receivable from Associated Companies (145)	436,223,000			436,223,000
Accounts Receivable from Associated Companies (146)	96,094,041			96,094,041
Fuel Stock (151)	310,313,370			310,313,370
Plant Material and Operating Supplies (154)	709,890,532			709,890,532
Other Materials and Supplies (156)	(39,825)			
Allowances (158.1 and 158.2)	40,452,069			40,452,069
Store Expenses Undistributed (163)	47,318,204			47,318,204
Prepayments (165)	43,769,193			43,769,193
Interest and Dividends Receivable (171)	848,112			848,112
Rents Receivable (172)	189,604			189,604
Accrued Utility Revenue (173)	251,740,978			251,740,978
Miscellaneous Current and Accrued Assets (174)	-			-
Derivative Instrument Assets Hedges (176)	293,332			
(Less) Long-Term Portion of Derivative Instrument - Hedges (176)	203,609			
<b>Total Current and Accrued Assets</b>	<b>2,474,098,140</b>	<b>-</b>		<b>2,474,048,242</b>
<b>DEFERRED DEBITS</b>				-
Unamortized Debt Expenses (181)	71,725,734			71,725,734
Unrecovered Plant and Regulatory Study Costs (182.2)	358,835,246			
Other Regulatory Assets (182.3)	3,738,932,177			3,738,932,177
Preliminary Survey and Investigation Charges (183)	7,526,266			7,526,266
Clearing Accounts (184)	729,504			729,504
Temporary Facilities (185)	-			
Miscellaneous Deferred Debits (186)	978,921,190			978,921,190
Unamortized Loss on Reaquired Debt (189)	49,422,522			49,422,522
Accumulated Deferred Income Taxes (190)	3,085,135,255			3,085,135,255
<b>Total Deferred Debits</b>	<b>8,291,227,894</b>	<b>-</b>		<b>7,932,392,648</b>
<b>Total Assets</b>	<b>\$ 46,173,094,158</b>	<b>\$ 1,683,753,898</b>		<b>\$ 47,497,759,303</b>

**Notes**

(A) Balance of debt issuance proceeds will be used to retire scheduled maturities of long-term debt in 2020, 2021, 2022, and 2023 and to fund construction work-in-progress. Detail amounts may not add to totals shown due to rounding.

**DUKE ENERGY CAROLINAS**  
**UNCONSOLIDATED BALANCE SHEET**  
**March 31, 2020**

Title of Account (a)	Proforma			
	Actual	Adjustments		Proforma
<b>PROPRIETARY CAPITAL</b>				-
Other Paid In Capital (208-211)	\$ 3,725,067,453			\$ 3,725,067,453
Retained Earnings (215, 215.1, 216)	9,104,701,158			9,104,701,158
Unappropriated Undistributed Subsidiary Earnings (216.1)	9,696,592			9,696,592
Accumulated Other Comprehensive Income (219)	(7,182,932)			(7,182,932)
<b>Total Proprietary Capital</b>	<b>12,832,282,271</b>	<b>-</b>		<b>12,832,282,271</b>
<b>LONG-TERM DEBT</b>				-
Bonds (221)	11,608,317,678	1,700,000,000	(A)	13,308,317,678
Advances from Associated Companies (223)	300,000,000			300,000,000
Other Long Term Debt (224)	813,469,118		(B)	813,469,118
Unamortized Premium on Long-Term Debt (225)	3,151,264			
(Less) Unamortized Discount on LT Debt (226)	24,482,574			24,482,574
<b>Total Long Term Debt</b>	<b>12,700,455,486</b>	<b>1,700,000,000</b>		<b>14,397,304,222</b>
<b>OTHER NONCURRENT LIABILITIES</b>				-
Obligations Under Capital Leases (227)	279,773,746	(10,157,922)	(C)	269,615,824
Accumulated Provision for Property Insurance (228.1)	121,113,565			121,113,565
Accumulated Provision for Injuries and Damages (228.2)	598,278,901			598,278,901
Accumulated Provision for Pensions and Benefits (228.3)	77,923,948			77,923,948
Accumulated Miscellaneous Operating Provisions (228.4)	3,893,169			3,893,169
Accumulated Provision for Rate Refund (229)	150,887,981			
LT Portion of Derivative Instrument Liabilities	22,727,745			
LT Portion of Derivative Instrument Liabilities - Hedges	9,830,581			9,830,581
Asset Retirement Obligations (230)	5,749,090,005			5,749,090,005
<b>Total Other NonCurrent Liabilities</b>	<b>7,013,519,641</b>	<b>(10,157,922)</b>		<b>6,829,745,993</b>
<b>CURRENT AND ACCRUED LIABILITIES</b>				-
Accounts Payable (232)	587,048,633			587,048,633
Notes Payable to Associated Companies (233)	-			-
Accounts Payable to Associated Companies (234)	248,665,897			248,665,897
Customer Deposits (235)	129,453,785			129,453,785
Consolidated Taxes Accrued	136,520,091			136,520,091
Interest Accrued (237)	144,295,449			144,295,449
Tax Collections Payable (241)	8,828,446			8,828,446
Miscellaneous Current and Accrued Liabilities (242)	261,250,396			261,250,396
Obligations Under Capital Leases - Current (243)	35,889,772	(6,088,180)	(C)	29,801,592
Derivative Instrument Liabilities (244)	22,727,745			
(Less) LT Portion of Derivative Instrument Liabilities	22,727,745			
Derivative Instrument Liabilities - Hedges (245)	49,591,460			49,591,460
(Less) LT Portion of Derivative Instrument Liabilities - Hedges	9,830,581			9,830,581
<b>Total Current and Accrued Liabilities</b>	<b>1,591,713,348</b>	<b>(6,088,180)</b>		<b>1,585,625,168</b>
<b>DEFERRED CREDITS</b>				-
Customer Advances for Construction (252)	-			-
Accumulated Deferred Investment Tax Credits (255)	230,010,902			230,010,902
Other Deferred Credits (253)	496,822,590			496,822,590
Other Regulatory Liabilities (254)	4,256,258,972			4,256,258,972
Accumulated Deferred Income Taxes Oth Property (282)	4,958,320,498			4,958,320,498
Accum Deferred Income Tax Other (283)	2,093,710,450			2,093,710,450
<b>Total Deferred Credits</b>	<b>12,035,123,412</b>	<b>-</b>		<b>12,035,123,412</b>
<b>Total Liabilities and Other Credit</b>	<b>46,173,094,158</b>	<b>\$ 1,683,753,898</b>		<b>\$ 47,680,081,066</b>

**Notes**

(A) Balance of debt issuance proceeds will be used to retire scheduled maturities of long-term debt in 2020, 2021, 2022, and 2023 and to fund construction work-in-progress.

(B) Other Long-Term Debt Balance includes \$475 million of Accounts Receivable Securitization

(C) For FERC reporting, Obligations Under Capital Leases (current and noncurrent) include operating lease liabilities

**DUKE ENERGY CAROLINAS**  
**UNCONSOLIDATED INCOME STATEMENT**  
**Three Months Ending March 31, 2020**

Title of Account	
<b>UTILITY OPERATING INCOME</b>	
Operating Revenues (400)	\$ 1,743,466,531
<b>Operating Expenses</b>	
Operation Expenses (401)	665,542,186
Maintenance Expenses (402)	148,736,885
Depreciation Expenses (403)	291,621,534
Depreciation Expense for Asset Retirement Costs (403.1)	(51,093)
Amortization and Depletion of Utility Plant (404-405)	18,406,014
Amortization Of Conversion Expenses (407)	11,356,824
Regulatory Debits	46,762,751
(Less) Regulatory Credits	23,845,619
Taxes Other Than Income Taxes (408.1)	79,803,462
Income Taxes Federal (409.1)	44,167,645
Income Tax - Other (409.1)	3,022,919
Provision for Deferred Income Taxes	385,049,228
(Less) Provision for Deferred Income Tax Credit	364,416,865
Investment Tax Credit Adjustment Net (411.4)	(1,059,584)
(Less) Gains from Disposition of Allowances	-
<b>Total Utility Operating Expenses</b>	<b>1,305,096,287</b>
<b>Net Utility Operating Income</b>	<b>438,370,244</b>
<b>Other Income and Deductions</b>	
(Less) Costs and Exp. of Merchandising Job and Contract Work (416)	16,348
Revenues from Nonutility Operations (417)	6,172,545
(Less) Expenses of Nonutility Operations (417.1)	4,681,283
Non Operating Rental Income (418)	(842,904)
Equity in Earnings of Subsidiary Companies (418.1)	-
Interest and Dividend Income (419)	2,473,419
Allowance for Other Funds Under Construction (419.1)	14,358,318
Miscellaneous Nonoperating Income	9,218,454
Gain on Disposition of Property (421.1)	511,287
<b>Total Other Income</b>	<b>27,193,488</b>
<b>Other Income Deductions</b>	
Loss on Disposition of Property (421.2)	-
Miscellaneous Amortization (425)	750
Donations (426.1)	1,775,342
Life Insurance (426.2)	(12,068)
Penalties (426.3)	-
Exp. For Certain Civic, Political and Related Activity (426.4)	1,350,711
Other Deductions (426.5)	2,539,186
<b>Total Other Income Deductions</b>	<b>5,653,921</b>
<b>Taxes Applic. to Other Income and Deductions</b>	
Taxes Other than Income Taxes (408.2)	706,701
Income Taxes - Federal (409.2)	2,828,657
Income Taxes - Other (409.2)	418,008
Provision for Deferred Income Taxes (410.2)	2,548,491
(Less) Provision for Deferred Income Tax Credit (411.2)	302,209
Total Taxes on Other Income and Deductions	6,199,648
<b>Net Other Income and Deductions</b>	<b>15,339,919</b>
<b>Interest Charges</b>	
Total Interest on Long - Term Debt (427)	126,387,490
Amortization of Debt Discount and Exp (428)	2,061,444
Amortization of Loss on Reacquired Debt (428.1)	1,575,356
(Less) Amortization of Premium on Debt-Credit (429)	24,736
Interest on Debt to Associated Companies (430)	1,400,807
Other Interest Expense (431)	(2,611,954)
(Less) Allowance for Borrowed Funds Used During Construction - CR(432)	6,273,727
Net Interest Charges	122,514,680
<b>Net Income</b>	<b>\$ 331,195,483</b>

**Notes**

This schedule represents the actual income statement for three months. No proforma adjustments were calculated.

Detail amounts may not add to totals shown due to rounding.

**DUKE ENERGY CAROLINAS**  
**UNCONSOLIDATED INCOME STATEMENT**  
**Twelve Months Ending December 31, 2019**

Title of Account	
<b>UTILITY OPERATING INCOME</b>	
Operating Revenues (400)	\$ 7,393,535,847
<b>Operating Expenses</b>	
Operation Expenses (401)	3,004,743,504
Maintenance Expenses (402)	572,097,385
Depreciation Expenses (403)	1,100,429,701
Depreciation Expense for Asset Retirement Costs (403.1)	51,093
Amortization and Depletion of Utility Plant (404-405)	68,414,112
Amortization Property Losses, Unrecov Plant and Regulatory Study Costs (407)	54,548,296
Regulatory Debits	210,782,686
(Less) Regulatory Credits	23,180,730
Taxes Other Than Income Taxes (408.1)	288,014,156
Income Taxes Federal (409.1)	170,708,943
Income Tax - Other (409.1)	13,063,526
Provision for Deferred Income Taxes	1,585,402,690
(Less) Provision for Deferred Income Tax Credit	1,469,384,000
Investment Tax Credit Adjustment Net (411.4)	(4,229,733)
(Less) Gains from Disposition of Allowances	158
<b>Total Utility Operating Expenses</b>	<b>5,571,461,471</b>
<b>Net Utility Operating Income</b>	<b>1,822,074,376</b>
<b>Other Income and Deductions</b>	
(Less) Costs and Exp. of Merchandising Job and Contract Work (416)	14,336
Revenues from Nonutility Operations (417)	26,534,625
(Less) Expenses of Nonutility Operations (417.1)	16,928,830
Non Operating Rental Income (418)	(3,033,908)
Equity in Earnings of Subsidiary Companies (418.1)	-
Interest and Dividend Income (419)	1,421,319
Allowance for Other Funds Under Construction (419.1)	41,617,164
Miscellaneous Nonoperating Income	43,164,552
Gain On Disposal Of Property	64,035
<b>Total Other Income</b>	<b>92,824,621</b>
<b>Other Income Deductions</b>	
Loss on Disposition of Property (421.2)	386,515
Miscellaneous Amortization (425)	9,979
Donations (426.1)	6,027,482
Life Insurance (426.2)	(56,600)
Penalties (426.3)	134,649
Exp. For Certain Civic, Political and Related Activity (426.4)	5,532,838
Other Deductions (426.5)	20,672,360
<b>Total Other Income Deductions</b>	<b>32,707,223</b>
<b>Taxes Applic. to Other Income and Deductions</b>	
Taxes Other than Income Taxes (408.2)	2,906,647
Income Taxes - Federal (409.2)	(5,427,806)
Income Tax Non Utility (409.2)	(489,103)
Provision for Deferred Income Taxes (410.2)	38,422,606
(Less) Provision for Deferred Income Taxes-Cr. (411.2)	17,354,023
Total Taxes on Other Income and Deductions	18,058,321
<b>Net Other Income and Deductions</b>	<b>42,059,077</b>
<b>Interest Charges</b>	
Total Interest on Long - Term Debt (427)	468,477,437
Amortization of Debt Discount and Exp (428)	7,219,499
Amortization of Loss on Reacquired Debt (428.1)	6,441,077
Interest on Debt to Associated Companies (430)	18,214,465
Other Interest Expense (431)	(7,991,920)
(Less) Allowance for Borrowed Funds Used During Construction - CR(432)	30,415,605
Net Interest Charges	461,944,953
<b>Net Income</b>	<b>\$ 1,402,188,500</b>

**Notes**

This schedule represents the actual income statement for twelve months. No proforma adjustments were calculated.

Detail amounts may not add to totals shown due to rounding.

**DUKE ENERGY CAROLINAS**  
**STATEMENT OF CASH FLOWS**  
**Three Months Ending March 31, 2020**

**Net Cash Flow from Operating Activities:**

Net Income	\$ 331,195,483
Noncash Charges ( Credits ) to Income:	
Depreciation and Depletion	291,570,440
Amortization of primarily nuclear fuel	123,669,474
Provision for Rate Refund	0
Net (Increase) Decrease in MTM and Hedging Transactions	(114,729)
Deferred Income Taxes ( Net )	22,878,645
Investment Tax Credit Adjustment ( Net )	(1,059,584)
Net ( Increase ) Decrease in Receivables	185,379,758
Net ( Increase ) Decrease in Inventory	(71,597,992)
Net ( Increase ) Decrease in Allowances Inventory	13,241,434
Net Increase ( Decrease ) in Payables and Accrued Exp	(245,547,288)
Net ( Increase ) Decrease in Other Regulatory Assets	29,799,098
Net Increase ( Decrease ) in Other Regulatory Liabilities	7,867,864
( Less ) AFUDC Equity Component	14,358,318
( Less ) Undistributed Earnings from Sub Companies	(4,886,429)
Impairment Charges	35,828
Payments for asset retirement obligations	(40,713,772)
Accrued pension and other post-retirement benefit costs	0
Other: Net (Provide details in footnote)	(47,353,060)

**Net Cash Provided by ( Used in ) Oper Activities** 589,779,710

**Cash Flows from Investment Activities:**

Gross Additions to Utility Plant ( less nuclear fuel )	(555,559,478)
Gross Additions to Nuclear Fuel	(182,991,782)
( Less ) AFUDC Equity Component	(14,358,318)
Other: Net (Provide details in footnote)	0
Cash Outflows for Plant	(724,192,942)

Investments in and Advances to Assoc. and Sub Companies	0
Contributions and Advances from Assoc. and Sub Companies	0
Notes Receivable from Affiliated Companies	(436,223,000)
Purchase of Investment Securities	0
Proceeds from Sales and Investment Securities	0
Cost of Removal of Utility Plant, net of salvage value	(10,182,868)

**Net Cash Provided by ( Used in ) Investing Activities** (1,170,598,810)

**Cash Flows from Financing Activities:**

Proceeds from Issuance of:	
Long-term Debt	923,661,381
Other:	(14,328,774)

Cash Provided by Outside Sources 909,332,607

Payments for Retirement of:	
Long-term Debt	(1,799,344)

Net Increase (Decrease) in Intercompany Notes	(28,975,000)
Distributions to Parent	(300,000,000)

**Net Cash Provided by ( Used in ) Financing Activities** 578,558,263

<b>Net Increase ( Decrease ) in Cash and Cash Equivalents</b>	(2,260,837)
<b>Cash and Cash Equivalents at Beginning of Period</b>	18,218,730
<b>Cash and Cash Equivalents at End of Period</b>	15,957,893

**DUKE ENERGY CAROLINAS**  
**STATEMENT OF RETAINED EARNINGS**  
**Three Months Ending March 31, 2020**

BALANCE - December 31, 2019	\$ 8,949,918,488
Total Credits to Retained Earnings (439)	3,736,041
Total Debits to Retained Earnings (439)	(16,000,000)
Add - Net Income	331,195,483
Less - Dividends to Parent	(300,000,000)
Add - Approp. Retained Earnings-Amort. Reserve	135,851,146
BALANCE - March 31, 2020	<u>\$ 9,104,701,158</u>

**DUKE ENERGY CAROLINAS**  
**UNCONSOLIDATED STATEMENTS OF CAPITALIZATION**  
**Three Months Ending March 31, 2020**  
**(Dollars in Thousands)**

			March 31 2020	Percent of Total	Proforma	Proforma Amount	Percent of Total
MEMBERS' EQUITY							
Accumulated Other Comprehensive Income .....			\$ (7,182,932)		\$ -	\$ (7,182,932)	
Member's Equity .....			12,839,465,203		(A)	12,839,465,203	
Total members' equity .....			12,832,282,271	50.9	-	12,832,282,271	47.7
LONG-TERM DEBT (A)							
	Rate	Year Due					
First and refunding mortgage bonds .....	4.30%	2020	450,000,000		(450,000,000) (C)	-	
	3.90%	2021	500,000,000		(500,000,000) (C)	-	
	3.35%	2022	350,000,000		(350,000,000) (C)	-	
	2.50%	2023	500,000,000		(500,000,000) (C)	-	
	3.05%	2023	500,000,000		(500,000,000) (C)	-	
	2.95%	2026	600,000,000			600,000,000	
	8.95%	2027	8,317,678			8,317,678	
	3.95%	2028	650,000,000			650,000,000	
	2.45%	2029	450,000,000			450,000,000	
	2.45%	2030	500,000,000		(B)	500,000,000	
	6.00%	2038	500,000,000			500,000,000	
	6.05%	2038	600,000,000			600,000,000	
	5.30%	2040	750,000,000			750,000,000	
	4.25%	2041	650,000,000			650,000,000	
	4.00%	2042	650,000,000			650,000,000	
	3.75%	2045	500,000,000			500,000,000	
	3.88%	2046	500,000,000			500,000,000	
	3.70%	2047	550,000,000			550,000,000	
	3.95%	2048	500,000,000			500,000,000	
	3.20%	2049	350,000,000			350,000,000	
	3.20%	2049	400,000,000		(B)	400,000,000	
					4,000,000,000 (D)	4,000,000,000	
Pollution-control series, 2006 .....	4.38%	2031	71,605,000			71,605,000	
	4.38%	2031	71,595,000			71,595,000	
Pollution-control series, 2008 .....	4.63%	2040	50,000,000			50,000,000	
	4.63%	2040	50,000,000			50,000,000	
Total mortgage and pollution control bonds .....			10,701,517,678		1,700,000,000	12,401,517,678	
Senior Debt	6.10%	2037	500,000,000			500,000,000	
	6.00%	2028	300,000,000			300,000,000	
	6.45%	2032	350,000,000			350,000,000	
Total senior debt .....			1,150,000,000		-	1,150,000,000	
Long-Term Commercial Paper .....			300,000,000			300,000,000	
Bond lease-Backed CTL - Charlotte Metro .....			90,781,368			90,781,368	
Other long-term debt instruments .....			4,487,750			4,487,750	
Unamortized debt discount and premium, net .....			(21,331,310)			(21,331,310)	
Total unconsolidated long-term debt .....			12,225,455,486		1,700,000,000	13,925,455,486	
Obligation under capital lease .....			173,928,523		(16,246,102)	157,682,421	
Total unconsolidated long-term debt and capital leases .....			12,399,384,009	49.1	1,683,753,898	14,083,137,907	52.3
TOTAL DE CAROLINAS CAPITALIZATION .....			\$ 25,231,666,280	100.0	\$ 1,683,753,898	\$ 26,915,420,178	100.0

**Notes**

(A) No proforma adjustments were calculated for Member's Equity (e.g. net income additions).

(B) Bonds issued in January 2020 were used to repay at maturity \$450M, 4.30% FMB and for general corporate purposes

(C) Amounts reflect the maturity of long-term debt in 2020, 2021, 2022, and 2023.

(D) Represents the total amount of financing requested per this application.

Detail amounts may not add to totals shown due to rounding.



**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2020-202-E**

In re:	)	
	)	DUKE ENERGY CAROLINAS, LLC'S
Application of Duke Energy Carolinas, LLC	)	SUPPLEMENTAL EXHIBIT I TO
for Approval to Issue and Sell Securities	)	APPLICATION
_____	)	

- a. Identify the effect of the proposed financing on the utility's income statement and balance sheet and identify the impact of the proposed financing on the utility's capital structure.**

Generally, the proposed financings will affect the Company's income statement by increasing pre-tax interest expense to reflect interest payable on new securities, offset by the reduction in pre-tax interest expense associated with any redeemed or maturing debt. A pro forma unconsolidated balance sheet, which shows the capital structure, was provided in Exhibit E to the Application.

- b. Identify specifically how the funds obtained through the proposed financing are to be used by the utility.**

The proceeds resulting from the proposed financings will be used as set forth in Section 8 of the Application.

- c. Provide information on the possible impact on the utility if the proposed financing is not approved or if approval is delayed.**

Disapproval or delay of the Application would prevent the Company from having access to funding from the capital markets in the amounts it has deemed necessary. The Company would not have sufficient financial flexibility in determining the timing and amounts of its offerings of securities. Such flexibility enhances the Company's ability to fund its operations most efficiently.

- d. Specify the expected effective rate of interest of any debt financing (a range for the rate is appropriate). For common stock issues, provide information on the anticipated market price and book value per share at the time of issue.**

Currently, indicative pricing for annual interest rates on the Company's first and refunding mortgage bonds is 0.75-1.00% for a 5-year bonds, 1.50-1.75% for 10-year bonds and 2.75-3.00% for 30-year bonds. This indicative pricing reflects market conditions as of October 21, 2020, and actual costs will change due to changes in market conditions, U.S. Treasury bond yields, the Company's credit rating and/or other factors that might impact the rate investors demand for

securities with similar characteristics and from companies with similar credit ratings. An interest rate for each long-term debt issuance will be set immediately prior to execution of a binding underwriting agreement for such securities. The Company's Application does not contain a request relating to common stock.

- e. Provide information on the expected benefits (e.g., savings expected from early debt retirement) and costs (e.g., issuance expenses) of the proposed financing. Provide any studies that were developed to identify these costs and benefits and the net result. (This could incorporate present value analysis of the costs and benefits.) Identify the basic assumptions of any analyses of costs and benefits.**

The expected benefits of the proposed financings include satisfying the Company's funding requirements as set forth in Section 9. The proposed financings would allow the Company to continue to finance its ongoing capital expenditures, and to potentially redeem or purchase outstanding securities and lower its cost of capital or reduce risk through economical refinancings. Costs of issuing the securities are expected to be generally consistent with those reported to the Commission in previous dockets authorizing the issuance of securities. The Company has not developed any studies of the type described in this question.